September 13, 1949

MULTIPLE CROP INSURANCE FOR 1950
(Applicable in counties with an October 31 closing date)

SUMMARY OF MAJOR PROGRAM PROVISIONS

Multiple crop insurance provides protection to the insured against loss on his insurable crops due to unavoidable causes such as drought, flood, hail, winter-kill etc. The insured is protected each year from the time of seeding to, generally, the completion of harvest. Only one application and one policy is needed by a producer for all his operations in a county.

In the multiple crop program a farmer insures all of his insurable crops under one contract and the protection offered is against loss from all insured crops combined. This plan thus gives the diversified farmer protection against the loss of the major part of his total investment in most of his crops rather than against a smaller part of his total investment which may be represented by some one or two crops on which insurance has heretofore been provided. Availability of multiple crop insurance places the farmer, who is in a diversified farming area where the farm income is split up among several crops, on a comparable basis from the standpoint of crop insurance protection with the farmer in a one-crop area who, by taking insurance on that crop, can now insure a major part of his total crop investment.

There is a coverage established in dollars for the insurance unit based on the number of acres of all insured crops. If the value (based on the predetermined prices shown in the policy) of the production of all insured crops is less than the coverage, the difference is the amount of the indemnity.

The premium is based on the number of acres and interest in each insured crop, the risks on the various crops, and the extent of diversification. In order to avoid the inconvenience of periodic renewal the policy has no termination date and will continue in effect from year to year until canceled by either the insured or the Corporation. For the protection of both the insured and the Corporation, the policy specifies a date for each county prior to which cancelation by either party must be made for any crop year. Notices of changes, if any, in the contract will be mailed to the insured at least 15 days prior to the cancelation date. The major provisions of the program are outlined below:

Crops to be Insured

The crops to be insured will be shown on the application and also in the policy. The insurable crops named in each county are those which comprise the major source of crop income.

Establishing Coverages and Rates

The coverage for an insurable crop will probably be the same for all farms in the county for which insurance will be accepted. However, if warranted, because of varying production and risks, separate areas for coverage and premium rate purposes may be established in the county, in which case all farms situated within the same area will have the same coverage and premium rate. Coverages and rates will not be established for extremely low yielding farms or for farms for which the risk appears to be excessive.

The coverage will be established at a level which will protect the farmer against the loss of the major part of his total investment in his crops. The Federal Crop Insurance Act limits the coverage in a general way to the investment in the crop. Only one level of insurance will be offered.

Progressive Coverage

Since the Federal Crop Insurance Act limits the coverage to the investment in the crop, the coverage for each crop will be arranged in progressive amounts. Generally there will be two amounts for each crop, thus providing for an increase in the protection as the farmer's investment in the crop increases.

Valuing Production

Where the insured crops are harvested, the actual production of all insured crops is valued at the predetermined prices and the total value compared with the coverage to determine whether a loss has occurred. In the early stage(s) the production has to be appraised. However, all of this appraisal is not counted and quite frequently it is zero. An allowance is established for each crop and only that portion of the appraisal in excess of the allowance is counted as production. The allowance for each stage is determined by subtracting the coverage for that stage from the coverage in the last stage and dividing the result by the predetermined price per unit. For example, if the coverage on a crop in the last stage were $21.00 per acre, the coverage in the first stage $10.50 and the predetermined price for that crop $1.50 per bushel, the allowance in the first stage on that crop would be 7 bushels per acre (21.00 - $10.50) ÷ $1.50.

Insured Acreage

Promptly after planting the insured producer is required to file an acreage report(s) which shows his acreage seeded to each insured crop. The contract covers all insurable acreage (acreage for which coverages are established) planted to each insured crop in the county, in which the insured has a share, <u>except</u> such cases as (1) acreage seeded too late to expect to produce a normal crop or (2) acreage not reseeded to the insured crop when it is practicable to reseed. However, the Corporation reserves the right to limit the insured acreage on any farm to the allotment or permitted acreage.

Insurance Unit

An insurance unit is the area considered in determining a loss. An insured may have one or more insurance units covered by a contract but an insurance unit is not limited to farm boundaries. An insurance unit will be (1) all insurable acreage in the county in which the insured has 100 percent interest at the time of planting, plus any insurable acreage owned by him and worked for him by sharecroppers at the time of planting, or (2) all insurable acreage in the county owned by one person and operated by the insured as a share tenant, or (3) all insurable acreage in the county owned by the insured which is rented to one share tenant, or (4) all the insurable acreage in the county which is owned by one person and worked by the insured as a sharecropper at the time of planting. Land rented for cash or for a fixed commodity payment shall be considered to be owned by the lessee.

An applicant may combine all his operations into one combination insurance unit if he so specifies on his application. The reason for this is to provide the insured with the option of securing a lower premium rate by combining two or more units into a combination unit. For any crop year the insured may change from or to a combination unit basis by notifying the Corporation in writing prior to the applicable closing date.

Premiums

A discount of 5 percent will be allowed on any annual premium which is paid in full on or before the applicable discount date shown in the policy, provided the insured files his acreage report(s) on or before the discount date. In signing the application, the applicant executes a note for the premium for each crop year of the contract. If the discount for early payment is not taken, the note matures on the date shown in the policy. A three percent charge for interest will be made on all premium payments not made on or before a date following maturity, which will probably be October 31, and an additional one percent will be added on the principal amount unpaid at the end of each two calendar month period thereafter.

Collateral Assignment

The applicant may make a collateral assignment against his multiple crop insurance policy. The collateral assignment may be used as security in obtaining a bank loan, seed and fertilizer loan or to secure other forms of indebtedness.

Notice of loss

A notice of damage is to be filed by the insured producer immediately after any material damage to any insured crop has occurred. In addition, the insured will also be required to file a notice of loss upon completion of harvest if a loss has occurred. If this notice is not given within 15 days after harvesting is completed, or the latest date for the end of the insurance period for any crop insured under the contract, the Corporation reserves the right to reject the claim.

Minimum Participation

Legislation provides that multiple crop insurance shall not be provided in any county unless written applications for insurance are filed which cover at least 200 farms. Each insurance unit will be counted as one farm in meeting this requirement.